

ness of its operations in introducing to a limited extent the use of bank-notes.¹ In 1881 a concession was granted by Congress to some French bankers for the foundation of a bank of issue, which began business in 1884 under the name of the National Bank of Mexico and engaged to perform the banking business of the government. The capital at the foundation was \$8,000,000, of which forty per cent, was paid up.³ The National Bank encountered violent competition, from the Mexican Mercantile Bank, which sprang into being without special concessions and continued in business until 1893, when it was absorbed by the National Bank. This fusion was brought about by pressure from the government, and the capital of the National Bank was increased to \$20,000,000.

The revision of the commercial code in 1884 provided against the further creation of banks without concessions from the government and limited the right to accord such, concessions to the Federal authorities. Those banks already in existence, including several in the State of Chihuahua, were recognized as having certain vested rights and were afterwards referred to as the chartered banks in distinction from the banks which were given exclusive privileges in the states in which they were established. The regulations of 1884 were derived in part from the American law, and required the circulation to be guaranteed by a deposit of money or securities of the public debt to the amount of one-third of the notes. The defects of this system were soon recognized and a more scientific and complete code was substituted.³

¹ Favre, *Les Banques au Mexique*, 9.

² The unit of value in Mexico is the peso or dollar, which before the decline in silver bore to the American silver dollar the proportion of \$1.012 in value. As the value of silver bullion declined, the gold value of Mexican coins declined, approximately *pari passu*, until the monetary reform of 1905. Values herein given in dollars represent a corresponding number of Mexican pesos, without regard to fluctuations in their gold value.

³ Senor Casasus, who wrote the masterly report upon which the law of 1897 was based, declared that "the very worst system under the empire of which banks of issue can be created is without doubt the